

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – FEBRUARY 18, 2004

PRESENT: Chairman Anthony Maiola and Commissioner Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; George Tsiopras, Chief Accountant; Richard Gerrish, Spirits Marketing Specialist. Guests: Chairman Michael O'Neil and four representatives serving on the EDNA subcommittee studying House Bill 1159; Al Picconi, United Beverages, Inc.

EXCUSED: Commissioner John Byrne; Nicole Horton, Wine Marketing Specialist.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending February 15, 2004 shows retail sales were up almost 31.2%, on-premise sales were up 10.6%, off-premise sales were up 16.7%, and total aggregate sales were up about 8.7%. The traffic count increased for the week by 4,406, while the average sales ticket also increased by \$1.25.

Craig remarked that the current W-1 Total Weekly Sales report did not identify a problem which occurred last year in that only six days were reported. Therefore, weekly figures did not reflect a true increase, which was actually 8.7% or \$518,797. The adjusted comparisons for wines and spirits were similarly effected. For the year, sales were up 8.52% or \$19,420,397. Yearly sales for wines were up almost 9% or \$9,431,251, as they were for spirits by 8.2% or \$9,989,346.

In regards to outstanding depletions and post-offs, there is currently one broker in arrears who was supposed to make a payment last week. This issue will be pursued with a telephone call to that broker.

\$35,000 has received for the Martignetti gift card promotion. Craig said a decline is beginning in the number of gift cards being redeemed on a weekly basis from holiday sales.

Craig spent some time with the Supervisors at their meeting yesterday to talk about workers' compensation issues and materials handling. He will be meeting with Liberty Mutual to set up training for each store.

Senate Bill 301 regarding liquor licenses passed the Senate and will be moving over to the House for review. There will be a meeting with the House Ways and Means Committee at 11:45 this morning to review revenues.

Craig will give a briefing on the Business Continuity Plan. To date, he has received no comments or proposed changes from any of the other departments. Once equipment is installed at Store #76 Hampton as the alternative site, a test will be run and weaknesses refined accordingly. Most of the objectives deal with IT services, but also include finding alternative space for the headquarters and Enforcement buildings. Craig briefly reviewed each section of the plan, which includes components, organization of the Plan, objectives, teams, and the alternative operations site.

The latest W-6 Expense Budget Activity Variance Report shows the year to be at about 63.5% completed, with total agency expenditures at around 62.3%. The salaries and benefits line is still being closely monitored. Paperwork requesting transfers will be ready to present to Fiscal Committee in April or May.

Additionally, an RFP is being drafted for security at store locations. An RFP was released at the end of last week for Enforcement dealing with the underage drinking campaign. Post cards will be sent out to potential vendors letting them know where the RFP can be pulled from the web site. This tactic will hopefully provide more exposure and attract more vendors.

The pallet and forklift and janitorial contracts were approved at the last Governor and Council meeting.

2. IT Report

Both Tom Chagnon and Tom Smith visited the alternative site at Hampton again last week. They will suggest putting the equipment in the conference room, but it can be moved to another location, if necessary.

ACR will be meeting with IT later this morning regarding their latest point-of-sale software.

II. MARKETING & SALES REPORTS

1. Store Operations

Figures for total store sales for the week were inflated, as they were for the other weekly reports. Peter noted that at this point two stores have produced sales in excess of \$1 million, and four other stores in excess of \$1/2 million.

A meeting was held a week ago Thursday regarding the spring promotion. The Class 50 money situation was discussed yesterday at the Supervisors' meeting, which went very well.

There was a meeting with Sweepstakes a week ago to discuss the possibility of installing touch screen machines which would be customer-activated. The plan

would include placing ten of these machines in selected stores, with an additional four on-line terminals. Peter gave a brief explanation of how this would work. Commissioner Maiola said he felt this method of selling lottery tickets would save the State money.

John Bunnell said that approval has been received on waiver requests for eight store positions, which have now been posted.

2. Purchasing Report

There is currently 34% more product in the Concord warehouse now than at the same time last year, which is what the Commission collects bailment fees on. There are several wines which are out of stock, and which will not be available until the next vintage.

3. Merchandising Report:

A. SPIRITS:

1) Test Market Results:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission grant specialty status to Code #4272, Panama Jack Spiced Rum, 750ML size, to be carried in liquor specialty stores only, as this product exceeded the gross profit requirements for such listing at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) April Special Offers:

a. 24 items – Executive Wine & Spirits:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions of twenty-four (24) spirit items, to be featured on sale during April 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 15 items – Martignetti Companies of N.H.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions of fifteen (15) spirit items, to be featured on sale during April 2004, as recommended by Richard Gerrish,

Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 51 items – United Beverages, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions (without matching State funds) of fifty-one (51) spirit items, to be featured on sale during April 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. 4 items – Pine State Trading Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions of four (4) spirit items, to be featured on sale during April 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 8 items – M.S. Walker, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of eight (8) spirit items, to be featured on sale during April 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Test Market Requests:

- a. Mico Silver Tequila, 1.75L:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H. for a new test market listing for Mico Silver Tequila, 1.75L size (assigned Code #3908), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. Tequival Coconut and Mango Cream Liqueurs, 750ML:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Martignetti

Companies of N.H. for new test market listings for Tequipl Coconut Liqueur, 750ML size (assigned Code #5371) and Tequipl Mango Cream Liqueur, 750ML size (assigned Code #5374), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) New Wine Product Listings (2 items – United Beverages):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve full distribution, to be available to all stores upon request, of Code #34621, Zinfandel Renwood Sierra Series, 750ML and Code #34913, Pommery Brut “Pop”, 187ML, both of which have earned at least \$6,500 during a twelve-month period, the majority of which have been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Special Offers for April 2004:

a. 50 items – Executive Wine & Spirits:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions of fifty (50) wine items, to be featured on sale during April 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 57 items – Horizon Beverage Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of fifty-seven (57) wine items, to be featured on sale during April 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 7 items – Perfecta Wine Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Perfecta Wine Company, based upon depletions of seven (7) wine items, to be featured on

sale during April 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 5 items – R.P. Imports:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from R.P. Imports, based upon depletions of five (5) wine items, to be featured on sale during April 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. 18 items – M.S. Walker, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of eighteen (18) wine items, to be featured on sale during April 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. 138 items – United Beverages, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of one hundred and thirty-eight (138) wine items, to be featured on sale during April 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Products for Closeout:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve wine products for close-out from United Beverages, Inc., in order to deplete remaining inventory, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Primary Source Submissions (3 items – imported):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of three (3) wine codes which are not from

primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS

Chief Moore spoke regarding House Bill 1159 pertaining to former Liquor Commission employees being hired by private industry vendors and/or brokers. He answered various questions from representatives of the EDNA subcommittee studying this bill. Chairman Michael O'Neill commented that he felt the members now had a clearer picture of the operations of the State Liquor Commission which would be of assistance to them.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated February 11 through February 18, 2004. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other: None.

Anthony C. Maiola, Chairman

Patricia T. Russell, Commissioner

/D. Hartford

